

Message Text

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E.O. 11652: NA

TAGS: ENRG, CA

SUBJ: HUSKY OIL TAKEOVER

REF: CALGARY 0364

1. ALBERTA GAS TRUNK LINE (AGTL) HAS PURCHASED CONTROLLING MINORITY INTEREST IN HUSKY OIL LIMITED SUPPLANTING THE PETRO-CANADA AND OCCIDENTAL PETROLEUM CORPORATION TAKEOVER BIDS REPORTED BY REFTEL. AGTL HAS ACQUIRED THIRTY-FIVE PERCENT OF HUSKY S OUTSTANDING COMMON STOCK AT COST OF ROUGHLY DOLS 170 MILLION, AND AGTL PRESIDENT ROBERT BLAIR HAS INDICATED THAT HIS COMPANY WILL TAKE MEASURES REQUIRED TO MAINTAIN EFFECTIVE CONTROL OF HUSKY S ASSETS INCLUDING IF NECESSARY, THE ACQUISITION OF A MAJORITY STOCK INTEREST. FUNDS FOR HUSKY PURCHASE WERE PROVIDED BY BANK OF MONTREAL AND BANK OF NOVA SCOTIA WITH HUSKY STOCK BEING PLEDGED AS SECURITY. AGTL S ESTABLISHED LINES OF CREDIT HAVE APPARENTLY BEEN UNTOUCHED, AND BLAIR HAS STRESSED THAT THE HUSKY STOCK PURCHASE WILL NOT JEOPARDIZE AGTL S COMMITMENT TO THE ALASKAN HIGHWAY GAS PIPELINE.

2. COMMENT: THE HUSKY TAKEOVER PREVENTS PETRO-CANADA FROM UNCLASSIFIED

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OBTAINING A MAJOR ENERGY POSITION IN ALBERTA, AND IT PUTS CONTROL OF HEAVY OIL DEVELOPMENT LARGELY IN THE HANDS OF ALBERTANS; HIGHLY DESIRABLE OBJECTIVES FROM THE PERSPECTIVE OF BOTH AGTL AND THE GOVERNMENT OF ALBERTA. ALBERTA GOVERNMENT SPOKESMEN HAVE DENIED ANY INVOLVEMENT IN HUSKY TAKEOVER, BUT IN OUR VIEW THE AGTL S ACQUISITION OF HUSKY HAD AT A MINIMUM THE EXPLICIT BLESSING OF PREMIER LOUGHEED AND THE

ALBERTA CABINET. THE GOVERNMENT OF ALBERTA HAS BEEN UNDERWRITING RESEARCH IN HEAVY OIL RECOVERY, AND IT HAS VIEWED THE LLOYEMINSTER HEAVY OIL DEPOSITS AS AN IMPORTANT PART OF ITS LONG TERM PLAN FOR THE EXPANSION AND DIVERSIFICATION OF THE ALBERTA ECONOMY. FEDERAL CONTROL OF THE HEAVY OIL PLAY COULD HAVE UPSET THE LOUGHEED GAME PLAN.

3. FULL SCALE DEVELOPMENT OF THE HEAVY OIL DEPOSITS OF SASKATCHEWAN AND ALBERTA WILL REQUIRE MASSIVE CAPITAL OUTLAYS FOR TERTIARY RECOVERY OPERATIONS AND THE CONSTRUCTION OF AN UPGRADING PLANT TO SUPPLY A CRUDE SUITABLE FOR USE IN CANADIAN REFINERIES. UNDER THESE CIRCUMSTANCES, WE EXPECT THAT AGTL WILL BE LOOKING TO SASKOIL, THE ALBERTA ENERGY COMPANY, AND PETRO-CANADA FOR A LARGE PART OF THE NECESSARY FUNDING. COOPERATION WITH HEAVY OILS GROUP ORGANIZED BY PACIFIC PETROLEUMS IS ALSO A POSSIBILITY.

4. HUSKY INSIDERS TELL US THAT THE AGTL TAKEOVER WAS "THE BEST AVAILABLE ALTERNATIVE". AGTL HAS TOLD THE HUSKY MANAGEMENT TO CONTINUE ON AS BEFORE, AND WE UNDERSTAND THAT THERE HAS BEEN AN ACCOMMODATION BETWEEN BLAIR AND THE NIELSONS, THE FAMILY WHICH PREVIOUSLY HAD CONTROL OF HUSKY INTERESTS.

5. IN ADDITION TO THE HUSKY DEAL, PETRO-CANADA HAS BEEN SEEKING TO NEGOTIATE THE PURCHASE OF PACIFIC PETROLEUMS, A FIRM WITH MAJOR GAS HOLDINGS IN B.C. AND ALBERTA AND A UNCLASSIFIED

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SUBSTANTIAL INTEREST IN THE WESTCOAST TRANSMISSION COMPANY, AGTL S PARTNER IN FOOTHILLS PIPE LINES LTD. RATTRAY

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